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July 12, 2007

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SI/CL  
LYK/BP  
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The Honorable Chairman and Members of the  
Hawaii Public Utilities Commission  
465 South King Street  
Kekuanaoa Building, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

PUBLIC UTILITIES  
COMMISSION

2007 JUL 12 P 4: 15

FILED

Dear Commissioners:

Subject: Docket No. 2006-0387  
MECO 2007 Test Year Rate Case – June 2007 Updates – Set #4

Enclosed is the fourth set of updates to Maui Electric Company, Limited's ("MECO") 2007 test year estimates reflected in the Application, Direct Testimonies, Exhibits and Workpapers filed with the Commission on February 23, 2007. This set includes updates to the following:

- MECO T-8 – Sharon M. Suzuki

Very truly yours,

Dean K. Matsuura  
Director, Regulatory Affairs

Enclosure

cc: Division of Consumer Advocacy  
Sawvel & Associates, Inc.  
Utilitech, Inc.

JUNE 2007 UPDATE

**Ref: S. Suzuki, MECO T-8, Customer Service Expense.**

**MECO Response:**

Since the submission of MECO T-8, the Company's 2007 test year estimate for customer service expense has increased by \$202,000 (from \$1,541,000 to \$1,743,000). See Attachment A for an updated MECO-801 and MECO-802 reflecting this increase and additional support. The increase is due to an increase in labor costs associated with the addition of three (3) regular DSM employee positions into base rates. Previously, these positions were classified as incremental DSM positions in the direct testimony. Further details of the three (3) positions and reasons for this increase are included in MECO's response to CA-IR-149 and CA-IR-249. Test year rate case adjustments for certain on costs related to this adjustment (expense elements 406, 422, and 423) are also being made to the appropriate NARUC accounts. Mr. Matsunaga addresses the adjustments to administrative expenses transferred (related to expense element 406) and employee benefits expenses transferred (related to expense element 422) in MECO's June 2007 Update to MECO T-9. Mr. Okada addresses the adjustments to payroll taxes (related to expense element 423) in MECO's June 2007 Update to MECO T-13. MECO's test year 2007 estimate for employee count, as presented by Ms. Wachi in MECO T-11, is not impacted by the addition of these three (3) positions into base rates as these positions were already included in MECO-1101, MECO-1102 and MECO-1103.

MECO-801  
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MAUI ELECTRIC COMPANY, LIMITED

2007 TEST YEAR  
CUSTOMER SERVICE EXPENSE  
(\$ THOUSANDS)

<u>Line</u>	<u>2007 Test Year</u>	<u>June 2007 Adjustments</u>	<u>Revised Test Year</u>
1 Maui Division	1,538	202	1740
2 Lanai Division	1	0	1
3 Molokai Division	<u>2</u>	<u>0</u>	<u>2</u>
4 MECO Consolidated	1,541	202	1743

SOURCE:

Line 1: MECO-802, Column D, Line 4  
Line 2: MECO-805, Column D, Line 3  
Line 3: MECO-808, Column D, Line 3

MECO-802  
DOCKET NO. 2006-0387  
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MAUI ELECTRIC COMPANY, LIMITED  
Maui Division

2007 Test Year  
CUSTOMER SERVICE EXPENSE BY ACCOUNTS  
(\$ THOUSANDS)

<u>Line</u>			<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>
			2007 Operating Budget	Budget Adjustments	Normalization	Test Year Estimate	June 2007 Adjustments	Revised Test Year
1	909	Supervision	66	-		66		66
2	910	Customer Assistance	3,042	(2,400)	796	1,438	202	1,640
3	911	Informational Advertising	34			34		34
4	Total		3,142	(2,400)	796	1,538	202	1,740

SOURCE:  
MECO-803  
MECO-WP-801  
MECO-WP-802

Note: Differences between exhibits and workpapers are due to rounding.

JUNE 2007 UPDATE: CUSTOMER SERVICE EXPENSE

	<u>NARUC</u>	<u>RA</u>	<u>Act</u>	<u>Loc</u>	<u>Ind</u>	<u>Proj</u>	<u>EE</u>	<u>Amount</u>	<u>Description</u>	<u>Rationale/Justification</u>
EE 150	1862	MCN	714	MAU	ND	M0000016	150	\$ 24,022	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000015	150	\$ 24,022	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000014	150	\$ -	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000015	150	\$ -	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000016	150	\$ -	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000017	150	\$ -	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000014	150	\$ 24,022	DSM Positions	Transfer from Account 186 to 910
								<u>\$ 72,066</u>		
	1862	MCZ	714	MAU	ND	M0000014	150	\$ 9,096	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000017	150	\$ 9,096	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000016	150	\$ 9,096	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000015	150	\$ 9,096	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000017	150	\$ 64,239	DSM Positions	Transfer from Account 186 to 910
								<u>\$ 100,623</u>		
EE 150 Total								<u>\$ 172,689</u>		
EE 421	1862	MCN	714	MAU	ND	M0000014	421	\$ 3,645	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000015	421	\$ 3,645	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000016	421	\$ 3,645	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000017	421	\$ -	DSM Positions	Transfer from Account 186 to 910
								<u>\$ 10,935</u>		
	1862	MCZ	714	MAU	ND	M0000014	421	\$ 2,120	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000015	421	\$ 2,120	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000016	421	\$ 2,120	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000017	421	\$ 2,120	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000017	421	\$ 9,746	DSM Positions	Transfer from Account 186 to 910
								<u>\$ 18,226</u>		
EE 421 Total								<u>\$ 29,161</u>		
TOTAL CUSTOMER SERVICE EXPENSE								<u>\$ 201,850</u>		

JUNE 2007 UPDATE: CUSTOMER SERVICE EXPENSE

	<u>NARUC</u>	<u>RA</u>	<u>Act</u>	<u>Loc</u>	<u>Ind</u>	<u>Proj</u>	<u>EE</u>	<u>Amount</u>	<u>Description</u>	<u>Rationale/Justification</u>
EE 406	1862	MCN	714	MAU	ND	M0000014	406	\$ 2,940	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000015	406	\$ 2,940	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000016	406	\$ 2,940	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000017	406	\$ -	DSM Positions	Transfer from Account 186 to 910
								<u>\$ 8,820</u>		
	1862	MCZ	714	MAU	ND	M0000014	406	\$ 1,710	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000015	406	\$ 1,710	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000016	406	\$ 1,710	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000017	406	\$ 1,710	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000017	406	\$ 7,861	DSM Positions	Transfer from Account 186 to 910
								<u>\$ 14,701</u>		
EE 406 Total								<u>\$ 23,521</u>		
EE 422	1862	MCN	714	MAU	ND	M0000014	422	\$ 9,804	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000015	422	\$ 9,804	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000016	422	\$ 9,804	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000017	422	\$ -	DSM Positions	Transfer from Account 186 to 910
								<u>\$ 29,412</u>		
	1862	MCZ	714	MAU	ND	M0000014	422	\$ 5,704	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000015	422	\$ 5,704	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000016	422	\$ 5,704	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000017	422	\$ 5,704	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000017	422	\$ 26,218	DSM Positions	Transfer from Account 186 to 910
								<u>\$ 49,034</u>		
EE 422 Total								<u>\$ 78,446</u>		
EE 423	1862	MCN	714	MAU	ND	M0000014	423	\$ 2,112	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000015	423	\$ 2,112	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000016	423	\$ 2,112	DSM Positions	Transfer from Account 186 to 910
	1862	MCN	714	MAU	ND	M0000017	423	\$ -	DSM Positions	Transfer from Account 186 to 910
								<u>\$ 6,336</u>		
	1862	MCZ	714	MAU	ND	M0000014	423	\$ 800	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000015	423	\$ 800	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000016	423	\$ 800	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000017	423	\$ 800	DSM Positions	Transfer from Account 186 to 910
	1862	MCZ	714	MAU	ND	M0000017	423	\$ 5,647	DSM Positions	Transfer from Account 186 to 910
								<u>\$ 8,847</u>		
EE 423 Total								<u>\$ 15,183</u>		
GRAND TOTAL DSM EMPLOYEE LABOR EXPENSE								<u>\$ 319,000</u>		